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ABSTRACT

Exemplary approaches to school-based budgeting are examined in this paper. Interviews were conducted with district staff involved in implementing school-based budget reforms in five school districts--Chicago, Dade County (Florida), Detroit, Los Angeles, and Edmonton (Canada)--and with state-level staff in California, Florida, Kentucky, and England. The first section offers a review of literature, with a focus on key school finance issues. The second and third sections analyze the design and organization of different approaches to school-based budgeting and highlight the various ways in which local districts and states encourage school-based budgeting. The fourth section proposes a set of initiatives for state and local policymakers to enhance implementation while maintaining fiscal accountability. The recommendation is made for creation of a partnership between states and districts for implementing school-based management, with responsibility varying according to states' different political cultures. Specifically, the partnership would be responsible for specifying the "ends" of the educational system and school sites would have authority over the "means." Four tables are included. (16 references) (LMI)

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# SCHOOL-BASED MANAGEMENT IN BIG CITY DISTRICTS: ARE DOLLARS DECENTRALIZED TOO?

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## Introduction

Decentralizing school district management has emerged in the 1990s as a popular cornerstone of education reform. Local school districts as well as state legislatures across the nation are giving schools more decision making authority as a way to improve school productivity. Indeed, seven out of the eight largest urban school districts in the United States are in various stages of implementing school-based management.[1]

The school-based management movement grew out of research suggesting that school autonomy is associated with school effectiveness (Purkey and Smith, 1985). Advocates argue that those most closely affected by school-level decisions -- teachers, students and parents -- ought to play a significant role in making decisions about the school's budget, curriculum and personnel (Carnegie Commission on Teaching as a Profession, 1986). Support for school-based management also has come from studies that found education reform was most effective and sustained when implemented by people who felt a sense of ownership and responsibility for the reform (Fullan, 1991).

While many districts are moving rapidly toward a decentralized management style, including school-based budgeting, little has been written on the financial dimensions of school-based management. This paper explores different ways local school districts and states have encouraged school-based budgeting and offers policy makers some new alternatives for governing schools.

Five school districts and four states that were in different stages of implementing school-based budgeting were studied. The five school districts were Chicago, Dade County (Florida), Detroit, Edmonton (Canada) and Los Angeles. These districts were selected by asking a panel of experts familiar with school-based management[2] to nominate any large urban school district where budgetary allocations were made to the school site. Panel members also were asked to nominate states that had policies to encourage school-based budgeting in local schools. These procedures produced a list of three states -- California, Florida and Kentucky -- and England, which in 1988 mandated implementation of school-based budgeting in all local schools by 1993.

Data for this study were collected primarily from telephone interviews with staff involved in implementing school-based budgeting reforms. At the district level, respondents usually included central administrative staff (e.g., associate superintendent for school-based management); while in state departments of education, program staff most often provided information about state-level reform. For each reform, the interviews, which lasted for 60-90 minutes, were conducted using structured protocols.

The discussion, which follows, is divided into four sections. The first reviews the knowledge base related to school-based budgeting -- What do we know about how school-based budgeting works and what are the key school finance issues? The second and third sections analyze the organization and design of different approaches to school-based budgeting and highlight various ways local school districts and states encourage school-based budgeting. The paper concludes by proposing a set of initiatives for state and local policy makers to enhance implementation of school-based budgeting while maintaining fiscal accountability.

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[1]Based on 1989-90 student enrollment data from the Council of Great City Schools, the largest urban school districts are: New York City (939,500), Los Angeles (610,000), Chicago (404,991), Dade County (278,789), Philadelphia (193,588), Houston (191,284), Detroit (172,033), and Dallas (1`32,730). Of the eight, Houston is the only school district that has not moved toward school-based management.

[2]Respondents included national associations (Education Commission of the States and the National Governors' Association), national teachers' unions, educational consultants, and deans and professors of education in major universities.

## 1. School-Based Budgeting: Lessons from the Field

Under school-based budgeting, resource allocation decisions are transferred from the central administration to a smaller decision making arena -- the school. Thus, a key concern for policy makers is the balance between central authority and school powers. Greenhalgh (1984) offers the following comparison between a centralized and decentralized budgeting system:

> "In a centrally administered school district, the finalization of a budget is buried deep within a central office accounting complex. In a decentralized school district, the budget of each instructional center is developed by building leaders, staff members, parents, students, and community members, assembling information in a fish bowl atmosphere" (p. 5).

School-based budgeting, at least in theory, should provide greater efficiency in allocating resources because decisions are placed close to those who are affected (Levin, 1987); should increase flexibility in the instructional program by broadening schools' spending discretion (Clune and White, 1988); and should direct accountability to the school and away from the central administration and board of education (Ornstein, 1974).

Clune and White (1988) concluded from their survey of over 100 school districts that in the context of school-based management, budgetary decisions were decentralized most readily (followed by personnel and then curriculum decisions). Furthermore, most (about 60%) of the districts Clune and White studied in-depth incorporated school-based budgeting into their reform. As the superintendent of schools in Edmonton, Canada explained: "It's the 'golden rule': Whoever has the gold...rules." In big-city school districts, Clune and White found that school-based budgeting tended to be part of a comprehensive reform where decisions over all three areas (budgeting, curriculum and personnel) were decentralized. Smaller school districts tended to tackle selected areas of decision making. Some districts focused exclusively on school-based budgeting, while other districts delegated budget and personnel decisions, for instance, but retained curriculum decisions centrally. Thus, evidence from the field suggests few consistent patterns in the scope of decisions given to schools under school-based management.

Other studies conclude that general approaches to decentralization also vary (Ornstein, 1974; Wohlstetter and McCurdy, 1990). Some school-based management reforms are state-directed -- initiated at the state-level by policy generalists (often governors and legislatures), but implemented at the local level by school administrators and teachers. Other reforms, by contrast, are the result of negotiations at the district-level between administrators and teachers.

Whether state-imposed or locally developed, education reforms historically have used different policy instruments to bring about change. According to McDonnell and Elmore, there are four types of policy instruments (1987, p.134):

> Mandates are rules governing the action of individuals and agencies, and are intended to produce compliance.
> Inducements transfer money to individuals or agencies in return for certain actions. return for certain actions.
> Capacity-building is the transfer of money for the purpose of investment in material, intellectual, or human resources.
> System-changing transfers official authority among individuals and agencies in order to alter the system by which public goods and services are delivered.

In the context of school-based management, all policies are fundamentally system-changing. School-based budgeting changes the education system so that the main budgetary function of the central administration is to allocate funds to individual schools. At the same time,

schools, usually through site councils representative of various school constituencies (administrators, teachers, students, parents and the community), are empowered to decide how allocated funds will be spent.

Prior research on school decentralization (Wohlstetter and McCurdy, 1990) further suggests that within the category of system-changing policies there is considerable variation depending upon the mechanism used to change the system. Wohlstetter and McCurdy found that in Chicago where the school-based management reform was imposed from outside the school district by the state legislature, the policy instrument used mandates to bring about school decentralization. By contrast, in Dade County and Los Angeles, school-based management plans were negotiated internally as part of collective bargaining and the reforms relied more on inducements to encourage participation.

In a recent study, Hentschke (1988) proposed restructuring schools by changing authority relationships within school districts. He argued that school-based budgeting requires changing the rules about who has what kinds of decision making authority over the distribution of resources. According to Hentschke, only changes in the district's authority relationships will produce changes in budgeting practices and ultimately will lead to improved school productivity. Hentschke suggested five areas of change:

1. Authority over utilities and substitute teachers.

   Traditional school: District office provides goods free to schools on an as needed basis.
   School-based budgeting: Schools receive an allocation to use as their needs arise.

2. Authority over staff development, curriculum development, and other central office support.

   Traditional school: District office provides services free to schools whether or not the services are needed.

   School-based budgeting: Schools buy services from the district office on an as needed basis.

3. Authority over the mix of professionals.

   Traditional school: District office specifies the quantity and mix of personnel at schools.

   School-based budgeting: Schools receive an allocation and can decide the quantity and mix of personnel at the school.

4. Authority over the source of supply.

   Traditional school: District office limits services and supplies available to schools to what the district office can provide.

   School-based budgeting: Schools can purchase services and supplies from non-district employees.

5. Authority to carry over resources.

   Traditional school: District office receives all unspent appropriations from schools at the end of the fiscal year.

   School-based budgeting: Schools can carry over unspent appropriations into the next fiscal year.

By changing relationships in these five areas, resource decision making authority is redistributed to individual schools, with the effect that accountability and the balance of power within districts shifts to the school site: Schools benefit from their decisions and also bear the risks associated with their decisions (Hentschke, 1988).

Based on information from Clune and White's 1988 survey, districts have experimented only with a few of these changes in authority relationships. Some school-based management programs gave schools authority over the mix of professionals: "Schools [were allowed] to shift funds across personnel categories, choosing the number of teachers, aides, and full-time and part-time positions..."(1988, p.14). Some schools also were given authority to carry over resources. However, few, if any, districts in the Clune and White survey changed authority relationships in the other three areas.

Hentschke observed that part of the reason for this is the lack of evidence linking school-based budgeting to increased school productivity:

> "[T]here is no guarantee that localized discretion leads to more productive schooling...[and] for district-level policymakers to delegate such authority to school building educators, they have to be convinced that such an act will increase the productivity of schools" (1988, p.333).

In addition, Clune and White (1988) observed that school-based management programs evolved over time with districts switching their focus on different dimensions of decentralization, depending on such factors as a change in the district's financial situation or the arrival of a new superintendent. Consequently, another reason for limited implementation may be the "learning curve" phenomenon -- the idea that districts apply an incremental approach to school-based management. As an observer of England's reform commented:

> "In the first year, the school people were like rabbits with headlights in their eyes: They were caught by surprise. But evidence from pilot tests suggests that 3 or 4 years down the road, as people get confident, they will begin to take on a zero-based budgeting view and make choices."

Finally, Malen and Ogawa (1988) suggest a third set of implementation factors, based on case studies of school-based management in Salt Lake City. The researchers found that even when formal authority was delegated to the building-level, factors such as the composition of school site councils, the power and role orientations of principals, and the nature of district oversight and support "operated to maintain rather than alter traditional decisionmaking relationships at the site level." Consequently, the school site councils "did not wield significant influence on significant issues" in the areas of budget, personnel or programs (Malen and Ogawa, 1988, p. 266).

## 2. District Approaches to School-Based Budgeting

The common goal across all school districts in the sample was to increase school productivity through more efficient budgetary decisions. The reforms, however, originated in different ways and featured varied strategies, as previous research has shown (Clune and White, 1988; Wohlstetter and McCurdy, 1990).

### Initiation and Scope of School-Based Budgeting

Table 1 provides a summary of key features of the sample districts and their reform strategies. The push for school-based management in Detroit came from a school board directive (the "Empowered Schools" program), but in Edmonton reform was initiated by the superintendent. District officials played virtually no role in Chicago; the state legislature

stepped in and ordered the district to decentralize. In Dade County and Los Angeles, school-based management was developed jointly by the teachers' union and school district as part of the collective bargaining agreement.

As noted earlier, all school-based management policies are essentially system-changing: their intent is to improve the education system by altering authority relationships within the district. Across the sample districts, different mechanisms were used to accomplish that goal (see Table 1). Chicago and Edmonton use mandates that require every school in the district to assume control over their budget while in Dade County, Detroit and Los Angeles, participation is voluntary. Districts in the sample usually provided some additional resources or special training to help build the capacity for decentralization at the school level. Schools that participate in Dade County, for example, have received $6000 to bring in experts to assist with implementation.

There also is considerable variation in terms of the scope of the reform. With the exception of Edmonton where the reform has a single focus, school-based budgeting in the other sample districts has been implemented within the context of more comprehensive decentralization efforts. Thus, at the same time schools gained authority over the budget, most also have increased responsibility for staffing and curriculum decisions. The scope of the reforms also vary in terms of the number of schools involved. In the two districts using mandates -- Chicago and Edmonton -- school-based management was adopted simultaneously by all schools in the district (see Table 1).

In the other districts where schools elected to participate, decentralization was encouraged in different ways. In Dade County and Los Angeles, the reforms had strong support from the teacher's unions and the promise of greater discretion over decisions affecting classrooms served as an incentive for participation. On the other hand, Detroit schools that join the empowered schools program are eligible to receive financial incentive awards for demonstrated performance. In all three districts where participation is voluntary, implementation has been incremental with the number of school-based management schools increasing as the reforms age. After nearly five years, Dade County's participation rate is at 56%, while in Detroit and Los Angeles, less than 5% of schools in the district have moved to school-based management and the reforms were adopted only within the last year.

As noted earlier, changes in budgeting require changes in the formal authority of educators who are involved in budgeting decisions. The remainder of this section examines the budgeting process and budgeting practices in the sample schools to highlight changes in the traditional roles of educators, at both the building-level and central office.

## Variations in the Budgeting Process

The budgeting process consists of three sequential components: formulation, adoption, and monitoring. In traditional school districts, all phases of the budgeting process are largely centralized with the locus of control in the central office. By contrast, in decentralized districts individuals at the school-site, usually through elected councils, are the key players. Table 2 compares the roles of educators in traditional districts with educators in the sample districts where budgeting is decentralized.

**Budget formulation.** When a traditional school district formulates its budget, the school board sets district goals and the central administration, by estimating revenues from various sources and projecting expenditures, builds a budget that reflects these goals. Once the school board approves the budget, schools then receive various allocations for use in centrally-specified areas. While traditional schools have always maintained control over some pool of discretionary resources, the school's span of influence over the education program offered to students remains marginal.

The role of site personnel in schools where budgetary authority has been decentralized is considerably different. In these districts, central office staff forecast revenues, as in traditional districts, but then convert these projected revenues into dollar

values for student and/or staff units. Each school subsequently estimates its own available revenues based on the number and type of students it has and the number and type of staff for which it is eligible (also based on pupil count). Next, schools budget the available resources in accordance with a plan that is typically developed by the school-site council. These plans go by different names -- "school-based management plans" in Los Angeles and "school-improvement plans" in Chicago -- but all encompass locally-developed performance goals and hence, reflect the budgetary priorities of individual schools. Thus, instead of goals being determined centrally, each school has the responsibility to develop its own.

As shown in Table 2, the school board has no role in this process. The central office and area superintendent also play limited roles in budget formulation. In Chicago and Los Angeles, the central office provides mainly information and technical assistance, such as helping schools project their revenue estimates or translate performance goals into budget items. In Edmonton, the area superintendent and school principal, in consultation with staff, students, parents and the community, establish the school's goals for student achievement. All aspects of budget formulation in Dade County and Detroit have been transferred to the building-level. The districts allocate available resources based on some measure of pupil count and resources are budgeted in accordance with individual school plans, developed jointly by the principal and school-site council.

**Budget adoption.** In traditional school districts, budget adoption also is a centralized process. After the central office plans the district budget, the school board approves it and resources are dispersed.

By contrast, the budget adoption process in decentralized schools begins at the school level. As suggested by Table 2, the main difference between traditional and decentralized schools is the directional flow of the adoption process: school budgets in decentralized schools move upward through the district hierarchy rather than down the hierarchy, from the school board to the building-level.

While formal adoption of the budget is still a centralized function, reviews by the district administration are largely focused on compliance, not substantive issues. For example, school budgets must comply with district, union, state, and federal regulations (unless waivers have been obtained), but within these parameters decentralized schools are free to propose their own educational program.

Some of the sample districts are more specific than others regarding who must approve budgets at the school level. In order to adopt a budget in Los Angeles, the principal, union steward, and a parent or community representative must sign a "Certification of Participation." Edmonton's reform, which has been labelled by some as "principal-based decision-making" (Brown, 1990, p. 166) simply requires that the principal consult with school constituents during the adoption process. Principals in Edmonton schools are not required to create formal school-site councils, as in the other sample districts.

In all of the sample districts, the role of the area superintendent has increased dramatically with respect to the budget adoption process (see Table 2). Whereas area superintendents in traditional districts play a minimal role, in the context of school-based budgeting they serve as a check point for ensuring that school budgets are in compliance with contract and regulatory obligations before the budgets are submitted centrally for approval.

**Monitoring.** Monitoring the budget also has changed with the adoption of school-based budgeting. However, the nature of monitoring has changed more than the actors who are involved. In most of the districts, the central administration has retained a prominent role in the monitoring process (see Table 2). But instead of focusing on compliance issues, the new role of the administration is to provide information feedback to schools. In three districts, Chicago, Dade County and Edmonton, the central office maintains automated financial systems and provides financial information to school-site personnel. In

Edmonton, schools can opt to go "on-line" and create their own accounting codes for the central office to use in preparing monthly financial reports to schools. Across most of the sample districts, money has been invested to develop technology at individual school-sites, so that each school has a management information system for monitoring (and staying within) its own budget. Where automated systems are maintained centrally, schools simply can not spend beyond the amount budgeted; requests from depleted accounts are rejected. In this way, accountability has been pushed down the professional bureaucracy to the school-level but monitored by a computerized, central control mechanism.

**Variations in Budgeting Practices**

Budgeting practices entail how funds are allocated and the amount of spending discretion schools have. A main concern of policy makers is the relationship between the two; that is, the extent to which allocations control spending. In traditional schools, funds are allocated by category (function or unit) and the categories prescribe school spending.

In theory, a school under school-based budgeting is allocated a lump sum and has control over its share (however defined) of every district resource. While this form is not currently in place anywhere, the sample districts generally have moved in this direction and as shown in Table 3, discretion over, at least, some traditionally-centralized resources has been transferred to the school level.

**Allocation rules.** The allocation rules used by the sample districts are surprisingly uniform and all entail some measure of the number of students (e.g., ADA, FTEs). Where districts differ is the extent of resources that are delegated to schools. In Chicago, for example, discretion over all resources that are committed through district contracts, including teacher salaries, is maintained centrally. This leaves about 20 percent of district revenues (i.e., 20 percent of every district resource for which a school is eligible) to be budgeted at the school site. These funds are allocated based on student enrollment.

Other districts allocate a greater amount of total district revenues, including the dollar value for personnel (whether required or not). For example, in Dade County, the dollar value of the cost of personnel is allocated by formula based on teacher-pupil ratios. Some of these positions are designated as required (and thus, it could be argued, control is maintained centrally), but others are discretionary. Schools can convert the resources associated with the optional positions for use in other areas (see section below on expenditure authority). Schools participating in school-based management in Dade County have control over approximately 70 percent of their budget.

The district office in Edmonton allocates 80 percent of the total budget to schools through an elaborate funding formula which has thirteen different categorizations of students (by grade level, handicapped status, program, etc.). Each school receives a lump sum allocation based directly on weighted student counts.

**Expenditure authority.** Whereas the resource allocation mechanism -- per pupil formulas -- for traditional and decentralized schools is essentially the same, schools under school-based budgeting have more discretion over areas usually under the purview of the central office. These districts have devolved expenditure authority in five areas: a) the mix of teachers and other professional staff; b) substitute teachers; c) staff development; d) purchase of goods and services; and e) budget balances.

Budgetary authority over the mix of professionals at the local school site as been decentralized to a certain extent in many of the sample districts (see Table 3). Detroit is the only district where schools under school-based budgeting can select their personnel from a pool of applicants developed by the school (credentials are checked centrally). In the other sample districts, if a school needs to fill a position, the new hire must be selected from a list of personnel provided by the central office.

While assembling the pool of qualified applicants remains largely a central function, decentralized schools can, within certain parameters, decide who to hire. The parameter that most greatly influences resource allocation is class size. Unless a waiver has been obtained, the number of teachers hired must accommodate the student-teacher ratio set for that grade level. In Edmonton, schools must report and receive approval when class size exceeds 30; however, the only requirement is that the needs of students are met. Schools in Chicago are free to choose the mix of professionals "within applicable laws and contract agreements." In Los Angeles, the district adopted a "hold harmless" provision: no one can lose their job as a result of the decentralization effort. By contrast, in Dade County and Edmonton, schools can fire personnel and it is the district's responsibility to relocate the employee.

Across the sample districts, there are certain positions that are mandatory "buy-backs" for every school; for example, every school must have a principal. Los Angeles and Dade County are similar in that required positions are specified by the central administration. When personnel positions are allocated, they come as either convertible or inconvertible. Convertible positions give schools more discretion over personnel decisions: if someone in such a position retires or is transferred, the school council has the option of converting the position to cash for some other purpose. Hentschke (1988) found, moreover, that when building-level educators in Dade County were allowed discretion in spending for personnel, they tended to employ part-time employees because by doing so, they could save and redeploy some of the associated fringe benefits.

A second personnel area under school control are discretionary positions. These can be purchased or not from the central administration and schools under school-based budgeting are able to divert available funds (as determined by the average cost for the position in the district) to any other expenditure category. Personnel hirings in all districts must comply with all contractual and state guidelines unless the appropriate waivers have been requested and secured.

Expenditure authority over substitute teachers also has been decentralized in some of the sample school districts. In Dade County and Los Angeles, for example, schools under school-based budgeting can receive the dollar amount of the cost of substitute teachers in exchange for assuming responsibility over this expenditure area. If a school has a low rate of teacher absenteeism, the savings accrue to the school the following year for use in other areas. Likewise, if a school has a higher than average absentee rate, other funds will have to be tapped in order to balance the account.[3]

Financial resources for staff development and curriculum development, traditionally centralized functions, have been decentralized in the two districts that have moved all schools to school-based budgeting (Chicago and Edmonton). Whereas traditional districts provide the services at no charge to schools (whether or not they need it), the schools in Chicago and Edmonton have discretion over the resources for such services. Tailored to individual needs, schools can decide, based on real costs, whether to send staff to professional development activities or to hire a curriculum consultant. Money not used in these areas can be used in other areas to purchase equipment or to provide more planning time for staff, for instance. In the sample districts where participation in school-based budgeting is voluntary, participating schools still have free access to professional development and curriculum development services that are available to traditional schools.

Another expenditure area that has devolved to decentralized schools is the purchase of goods and services from vendors outside the district. In traditional schools, the range of services available to schools is limited to what the central office can provide. Schools under school-based budgeting generally have more flexibility and can make purchases from non-district employees. In Dade County most purchases are made from district suppliers, however, one school has contracted with Berlitz to teach Spanish because building-level

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[3]Both Dade County and Los Angeles have policies whereby the district pays for substitutes in the event of catastrophic illness.

educators thought that the private firm would do a more cost-effective job than the district (Hentschke, 1988). In Detroit and Edmonton, schools can contract with outside vendors but do not receive full-dollar value when goods or services are purchased from non-district suppliers. Thus, there is a clear incentive to use district providers. In Detroit and Edmonton, as well as Chicago (which does give schools full-dollar value), purchases must be made from a pre-approved list of vendors unless a waiver has been obtained.

The last area of budgetary practice that was examined is the authority to carry over unused resources to the next fiscal year. In traditional schools, any unspent funds are returned to the district coffers. Two of the sample districts (Chicago and Detroit) have not changed this practice. However, in Edmonton, school surpluses and deficits are carried forward to the next fiscal year. During the first year of school-based management, the total budget in Edmonton was $165 million and surpluses amounted to $3 million, about 2% (Brown, 1990). Dade County also allows schools to carry over all unused funds, including one hundred percent of savings realized through utility conservation (compared to eighty percent for traditional schools in the district) and all of the unspent salary funds, including the associated fringe benefits. In Los Angeles, the only resources that can be carried over, with the exception of a few state textbook accounts, are unspent funds in the substitute teacher account. When district funds are carried forward, they become discretionary the following year, whether or not they were during the year they were allocated.

In sum, a considerable amount of resources have been rolled into the site allocation formula, and decisions on how to use them have been substantially delegated to the school. However, some important fiscally-oriented decisions have been retained by central offices. In addition to the areas already cited, external building maintenance (e.g., fixing the leaky roof) and payment for utilities have remained central office responsibilities, as in traditional schools.

### 3. State Approaches to School-Based Budgeting

Across the sample, state approaches to decentralization, like the district strategies, share the goal of increasing school productivity through greater local autonomy. Another similarity among states was the catalyst for the reform: all were produced by legislative bodies, state legislatures in the United States and Parliament in England.[4]

In other ways, the reforms are quite varied. Florida adopted an incremental approach to decentralization. The state's first school-based budgeting initiative (Accountability Act of 1973) was adopted 18 years ago, and since then, the legislature has enacted six other reforms aimed at strengthening school-site management. By contrast, England and Kentucky moved to decentralize very recently, included decentralization as part of a comprehensive reform program, and required all schools to participate.

States also have employed fundamentally different policy mechanisms to bring about change. Two of the central governmental bodies, Kentucky and England, used mandates that required all schools to move into school-based management by a specified date (1996 in Kentucky and 1993 in England). Florida invested money in the area of capacity-building by sponsoring staff development activities for participating districts. The California reform used an inducement mechanism which provided additional resources to schools on the condition they will move toward school-based budgeting. The remainder of this section, which is organized by type of policy mechanism, highlights the primary elements and expected effects of the different state-level approaches to school-based budgeting.

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[4]The specific legislative reforms discussed in this section are: the District School Site Restructuring Incentive Program of 1989 (Florida); the Education Reform Act of 1988 (England); the Kentucky Education Reform Act of 1990 (Kentucky); and the School-Based Coordination Act of 1981 (California).

**Mandates**

While the intended impact of education reform in England and Kentucky is enhanced decision-making authority at the school-site, both policies were enacted in the context of large-scale education reform efforts that go well beyond governance. The Kentucky Education Reform Act of 1990 included changes in the way schools are financed, teachers are certified and students are evaluated. Kentucky's reform also required development of student learning goals, state curriculum frameworks and a performance-based student assessment program. School-based management was mandated as an implementation strategy but it clearly was not intended to decentralize authority over what students learn. England's Education Reform Act of 1988 (ERA) is similarly comprehensive. The ERA established provisions for a national curriculum and a national assessment program, with performance standards for each subject. In both England and Kentucky, core values (i.e., student outcome goals) were centralized, while decision making authority was decentralized to the school-level.

The Kentucky Education Reform Act contains rules that specify the composition of school councils and the rate at which school-based management should be implemented. School councils are required to have parents (elected by the school's parent-teacher organization), teachers (elected by teachers at the school) and an administrator. By the 1991-1992 school year, every district in the state must have at least one school in school-based management and all schools must participate by July, 1996. The intent of policy makers, according to the interviews, was to create some uniformity, in terms of operations, across school districts in the state.

England's reform, which, like Kentucky's, prescribes an implementation schedule (full implementation by 1993), also defines which aspects of school governance should be controlled by individual schools and which should be retained centrally by the district office. Specifically, the ERA requires that financial control of schools be delegated to the building-level:

> "...While the LEA must retain funds to cover major capital works, central administration, advisory services and legal and medical services...The rest of the money must be allocated to the schools by a formula so that in a typical LEA about two thirds of funds will be allocated directly to schools and one third retained centrally" (Davies, in press, p. 8).

Thus, England's reform targets financial issues directly, requiring that all local districts develop plans for how financial responsibility will be delegated to the building-level. By contrast, the Kentucky reform contains no specific mention of finance; rather it contains a mandate to decentralize management in general.

Mandates, according to McDonnell and Elmore (1987), assume that the required action -- in this instance, school-based management -- is something all school districts can be expected to do, regardless of their differing capacities. In England and Kentucky, where policy makers had high levels of political support to enact education reform,[5] they nevertheless recognized the burden the new policies imposed on districts and schools, and so provided implementors with some resources for complying with the rules.

Both mandates were accompanied by some capacity-building activities. The Department of Education and Science in England offers education support grants to local districts to assist with training and computer costs. In Kentucky, the state board of education has allocated resources to school districts to cover staff development costs in a variety of topical areas, including school-based management. The state board also has

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[5]Education reform in England, which Prime Minister Thatcher championed, benefited directly from her widespread popularity. The Kentucky Education Reform Act was enacted in response to a state supreme court decision that ruled the state education system unconstitutional.

required that each local board of education appropriate to the school-level not less than $75 per full-time-equivalent student. Local decision making councils can decide how to spend most of the money (about $60 per FTE), however, the state requires some support in certain areas.

Responsibility for enforcing compliance with the two mandates was vested in state/central government agencies. Consequently, the roles of Kentucky's state board and department of education and the Department of Education and Science in England were expected to become more influential and more interventionist. As an observer in England commented:

> "Before the Education Reform Act, the Department of Education and Science had a hands-off policy toward education: There will be schools and it is the LEA's responsibility to run them. Now, the department prescribes explicit guidelines for LEA school management plans, approves the plans, and offers LEAs support grants to assist with implementation."

Respondents in both England and Kentucky also expected state/central government agencies to become involved more directly with schools, since schools -- not districts -- were the targets of reform.

**Capacity-Building**

Florida has approached decentralized budgeting in a very different way. Instead of requiring that all districts and schools embrace a single reform, the state enacted legislation to promote local efforts. By helping to increase the decision making capacities of schools, in terms of human resources and technology, Florida's District School Site Restructuring Incentive Program aims to change how education systems make fiscally-oriented decisions.

The state of Florida invested money in professional development activities and technical assistance. Its school site restructuring program offers modest financial incentives to school districts that want to restructure. The broadest impact of the program, however, comes from statewide and regional training conferences. These state-funded efforts are designed to help local restructuring efforts by reviewing what is currently known about restructuring; providing restructuring models and a standard evaluation plan for restructured schools; and facilitating the development of networks for restructured schools. In sum, Florida's reform is an investment in the future. By helping schools build the capacity to manage themselves, the reform is expected to produce future returns, including improved school productivity.

An interesting result of Florida's restructuring program, reported by respondents, was that the state role in education policy had changed. The reform had led to an increased emphasis on cooperation between state and district policy makers and school administrators. Specifically, the state had moved from being more sanction-oriented to providing services directly to the schools.

**Inducement**

California's School-Based Coordination Act is more specifically aimed at changing local budgetary processes. The intent of the reform was to provide schools with greater flexibility in how resources from state categorical funds were spent. Participating schools can combine funds from different categorical programs and also do not have to track where funds have been spent for reporting purposes. To encourage participation, the state gives schools that move to school-based budgeting eight days of release time for staff development and student advisement activities. The expected effect of this inducement was that schools would make decisions based on student needs, rather than based on the funding source.

While participation has grown considerably in the past few years, about 70 percent of the participating schools are coordinating only one categorical program with their core program. Because there is no penalty for minimal participation, and since minimal participation is sufficient to obtain the inducement (8 funded staff development days), most schools have opted for the minimum. Another implementation problem, discovered during interviews, was that districts in California that have initiated school-based management reforms of their own are not often taking advantage of complementary state reforms, such as the School-Based Coordination Act.

## 4. Conclusions and Policy Implications

### Conclusions

The purpose of this study was to examine notable or exemplary approaches to school-based budgeting. Previous research on school-based management (Clune and White, 1988; Malen and Ogawa, 1988) found that traditional patterns of decision making were difficult to alter and that school site councils rarely made "real" or substantive decisions. By contrast, the findings from this study propose new patterns of decision making that effectively empower building-level educators with substantial discretion over, at least, some resources. The evidence suggests the following conclusions.

- The intent of policy makers in adopting school-based budgeting was to improve school productivity, not to reduce costs.
- School-based budgeting often was adopted as part of a comprehensive school-based management plan. In the few instances where reforms focused exclusively on decentralizing budgeting, there were spill over effects into curriculum and personnel decisions.
- State and local initiatives to encourage school-based management (and budgeting) were developed independently and remain uncoordinated. As a result, decentralized schools are not often taking advantage of state reforms and schools participating in state reforms are not often in districts that have adopted school-based management.
- Participation in school-based budgeting was typically on a voluntary basis. However, in four (of nine) reforms state and local policy makers decided to mandate school-based management for all school districts or schools.
- School-based budgeting provided schools with increased flexibility in decision making and schools, primarily through site councils, began to redesign education programs to meet local needs.
- Educators at the building-level have become increasingly involved in monitoring expenditures, with the effect that accountability, in terms of budgetary control, has shifted to the school.
- Few standards or guidelines existed for defining outcomes for schools under school-based budgeting.

### Policy Implications

In her recent article about restructured schools, David (1990) concluded that there are significant parallels in the actions districts and states can take to promote change. In the specific case of school-based budgeting, we agree. States and districts, moreover, are in strong positions to influence schools; both have sufficient financial and regulatory leverage to bring about change (Elmore and Fuhrman, 1990).

Thus, we believe that each state and its local districts can enter into a friendly partnership to help schools adapt to school-based management. The division of responsibility within each partnership should not be uniform across states, nor

compartmentalized as in a hierarchy. Rather responsibility between partners should be allowed to vary to match states' different political cultures. Consequently, many of the initiatives offered below may be taken by only one member of the partnership, depending on whether the state has strong local control norms or a tradition of state-directed reform. A few of the initiatives, at the discretion of the partners, probably should be taken jointly by states and local school districts.

- Establish clear goals for student performance. School-based budgeting is a means for accomplishing substantive goals.
- Encourage systemic reform in which school-based management is one part of a coordinated effort to improve school productivity (Smith and O'Day, 1991).
- Systematically review existing education policies and regulations to determine whether there are impediments to school-based budgeting.
- Where participation in school-based budgeting is voluntary, expand the use of inducements to raise participation levels. For example, grantors could award an up-front school improvement grant of $50-$100 per pupil.
- Move away from compliance and enforcement activities and focus on strategies that encourage school-based budgeting and stimulate innovation.
- Set goals that define the outcomes of budgeting in restructured schools (e.g., a fixed percent of the total budget must be spent at the discretion of the school).
- Decide what funds should be controlled by the district and what funds should be controlled by the school site (e.g., assessment, capital construction, instruction, staff development, transportation).
- Establish set-asides for evaluation activities to aggressively monitor the impact of school-based management on student performance and on school productivity, in general.

In conclusion, the idea of a fluid and interdependent partnership between the state and local districts is very promising as an aspect of school-based budgeting. The partnership ought to be responsible, in effect, for specifying the "ends" or goals of the education system generally and school-based budgeting specifically, furnishing resources to inspire change, and managing information feedback. Based on the experiences of the school districts in this study, responsibility and authority over the "means", including the budgeting process and practices, ought to be further devolved to the school-building level.

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**TABLE 1**

## Characteristics of Sample School Districts: 1989-1990

| School district | Demographics: Student enrollment | Demographics: Total district budget (U.S.$) | Demographics: Per pupil expenditures | Demographics: Total schools (#) | School-based budgeting reform: SBB schools (#/%) | School-based budgeting reform: Year SBB began | School-based budgeting reform: Policy Mechanism |
|---|---|---|---|---|---|---|---|
| Chicago | 408,714 | 2.4 billion | $5,872 | 610 | 610/100% | 1990 | Mandate |
| Dade County | 281,403 | 2.1 billion | $7,462 | 271 | 151/56% | 1986 | Capacity-building |
| Detroit | 182,000 | 1 billion | $5,495 | 248 | 8/3% | 1990 | Inducement |
| Edmonton | 73,670 | 305 million | $4,133 | 194 | 194/100% | 1979 | Mandate |
| Los Angeles | 647,787 | 3.9 billion | $6,021 | 535 | 4/1% | 1990 | Capacity-building |

TABLE 2

## Budgeting Processes in Sample School Districts

| Budget process & school district | Participants | | | | |
|---|---|---|---|---|---|
| | School board | Central office | Area superintendent | Principal | School-site council |
| Formulation | | | | | |
| **Traditional School** | Moderate | High | Moderate | Moderate | None |
| • Chicago | None | Low | None | High | Moderate |
| • Dade County | None | None | None | High | High |
| • Detroit | None | None | None | High | High |
| • Edmonton | None | None | Moderate | High | ----[1] |
| • Los Angeles | None | Low | None | High | High |
| Adoption | | | | | |
| **Traditional School** | High | High | Low | Low | None |
| • Chicago | None | Moderate | High | None | High |
| • Dade County | Low | Moderate | Moderate | None | None |
| • Detroit | High | High | High | None | None |
| • Edmonton | High | None | High | None | ----[1] |
| • Los Angeles | None | High | High | High | High |
| Monitoring | | | | | |
| **Traditional School** | Moderate | High | High | Moderate | None |
| • Chicago | None | High | None | High | High |
| • Dade County | None | High | Moderate | High | High |
| • Detroit | None | Moderate | Moderate | Moderate | Moderate |
| • Edmonton | None | Low | None | High | ----[1] |
| • Los Angeles | None | Low | None | High | High |





[1] In Edmonton, principals are responsible for constructing the school budget in consultation with staff, parents and community members. Principals are not required to establish school-site councils.

**TABLE 3**

**Budgeting Practices in Sample School Districts: Areas of Authority for School Sites**

| School district | Leaky roofs, etc. | Utilities & substitute teachers | Staff development, curriculum development | Mix of personnel | Contracting outside district | Carrying over funds |
|---|---|---|---|---|---|---|
| **Traditional School** | District | District | District | District | No | No |
| Chicago | District | District | School | School | Yes | No |
| Dade County | District | School[1] | School | School | No | Yes |
| Detroit | District | District | School | School | Yes | No |
| Edmonton | District | District | School | School | Yes | Yes |
| Los Angeles | District | District (utilities)<br>School (substitute teachers) | School | School | No | Yes[2] |

[1]Savings from utilities (difference between amount budgeted and amount spent) accrue to the school-site for use the following year.

[2]The only account that can be carried over is for teacher illness days. Any money that is saved through lower-than-average teacher absenteeism is carried over for one year and can be spent in any area.

**TABLE 4**

**Characteristics of Sample State/Central Government Approaches to School-Based Budgeting (SBB)**

| State/central government | Year SBB began | SBB districts/ schools (#/%) | Policy mechanism | Primary elements | Expected Effects: State | Expected Effects: Local |
|---|---|---|---|---|---|---|
| California | 1981 | 4300/61% Schools | Inducement | - Staff development days<br>- Flexibility in use of categorical money<br>- Waivers | - No change in relationship | - Increased budgetary flexibility<br>- Reduced paperwork |
| England | 1988 | 104/100% Districts | Mandate | - Rules: all schools must participate; district must delegate money to schools<br>- Money to district for management information systems | - More interventionist (e.g. national curriculum)<br>- More direct contact with schools | - Spending priorities established by schools |
| Florida | 1989 | 40/60% Districts | Capacity-building | - Training on restructuring<br>- Technical assistance<br>- Waivers<br>- Money for experts | - Less sanction-oriented<br>- More direct contact with schools<br>- More service-oriented | - Increased evaluation role<br>- Increased paperwork |

**TABLE 4 (continued)**

| State/central government | Year SBB began | SBB districts/ schools (#/%) | Policy mechanism | Primary elements | Expected Effects: State | Expected Effects: Local |
|---|---|---|---|---|---|---|
| Kentucky | 1991 | ------[1] | Mandate | - Rules: all schools must participate; school-site councils must have set composition<br>- Technical assistance<br>- Money for staff development | - More interventionist (e.g. state-identified learner outcomes)<br>- More direct contact with schools<br>-More service-oriented | - Implementation strategies designed by schools<br>- Increased paperwork |

[1]By the 1991-92 school year, each district must have at least one school participating and by 1996, all the schools in the state must participate in school-based decision making, unless granted an exemption by the State Board for Elementary and Secondary Education.